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THE IRAN AFFAIR

# CIA: Casey knew of possible Iran-contra link in October

United Press International

WASHINGTON — The CIA, in an unusual blunt and public statement, acknowledged yesterday that its director, William J. Casey, was informed in October that money from the Iran arms sales might be going to the contras, but it stressed that he had no direct knowledge of the diversion of funds.

The CIA said that Casey and other agency officials had heard only "speculation" about the diversion of funds to the Nicaraguan rebels before they were told officially of the diversion on Nov. 25, when the Iran-contra connection was announced by Attorney General Edwin Meese 3d.

"It is time for the agency to set the record straight publicly," CIA spokesman George Lauder said, adding that Casey and Deputy Director Robert Gates had made "full disclosure" in their December congressional testimony "about speculation that had reached them in October about a possible diversion of funds and what they had done about that information."

"When Director Casey and Deputy Director Gates were informed in the fall of 1986 of 'tenuous speculation' that some Iranian money may have been diverted to the contras they took appropriate action," the statement said.

"They reported their concern to the National Security Council several times in October and Director Casey recommended that the White House counsel review the program," the CIA said.

A CIA spokeswoman would not say to whom at the NSC Casey and Gates expressed their concern. But Casey, in an interview with Time magazine, said he had reported his concern to Vice Adm. John M. Poindexter, then President Reagan's national security adviser.

The agency said there was "no credible evidence" that diversion of money ever came to the attention of the CIA.

"Most importantly there is no indication whatsoever the CIA was involved in any diversion of funds, that the CIA misused its funds or violated any law," the agency said.

Casey told congressional committees that he did not know until he was told by New York businessman Roy M. Furmark in early October that some money from arms sales to Iran may have been diverted.

On Thursday, NBC News said it had obtained a draft copy of a secret Senate Intelligence Committee report that said Casey was aware of the "possibility" of a diversion of funds as early as Oct. 7 — earlier than he had told Congress. NBC also said Poindexter on Nov. 16 rebuffed a suggestion from Casey that the White House counsel be told of the possible diversion of funds. Poindexter said he could not trust the counsel to "keep things quiet," according to NBC.

NBC also quoted the report as saying Casey was "less than candid" in his testimony before the committee, but it did not specify which subjects were at issue.

Casey, 73, has been hospitalized since Dec. 15. Surgeons removed a brain tumor from Casey three days later and he has been recovering slowly. Gates has been running the agency in Casey's absence. It is not clear when, or if, Casey could again testify before Congress about the Iran affair.

Sen. David L. Boren (D., Okla.), chairman of the Intelligence Committee, and Sen. William S. Cohen (R., Maine), the ranking Republican, condemned the leaking of the committee's report and said the report was a draft that contained many errors and inaccuracies.